

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE BRISTOL COUNTY WATER AUTHORITY

Tuesday, June 26, 2012

450 Child Street, Warren Office, Warren, RI

Pursuant to proper notice, the regular meeting of the Board of Directors of the Bristol County Water Authority was called to order by Chairman Jannitto at 6:00 pm, 450 Child Street, Warren Office, Warren, Rhode Island. Executive Director Pamela Marchand, Legal Counsel Ms. Sandra Mack and the following Directors were in attendance at the commencement of the meeting:

Robert Allio, Paul Bishop, Joseph DeMelo, Kevin Fitta, William Gosselin, John Jannitto, Allan Klepper, Raymond Palmieri, Sr.

Director Absent: Frank Sylvia

Upon a motion duly made and seconded, it was unanimously

VOTED: That the minutes of the Special Board Meeting of May 16, 2012, be approved.

Director Palmieri stated the minutes of the Annual Meeting of May 30,

2012 lacked content that he felt should be entered into the minutes regarding a discussion between the Chairman and the editor of Patch concerning an allegation published in Patch.

Legal Counsel Ms. Sandra Mack responded that while the contents of minutes should focus on the votes taken, and it is not common or best practice to have every comment incorporated into the record, a director has the prerogative to ask that the minutes incorporate a factual matter that was discussed with regard to the Authority's business. Director Palmieri asked that the minutes of the May 30 meeting be amended to include that a question was asked by the Chairman of the editor of Patch as to why the unsubstantiated allegation against Mr. Klepper was allowed to be published in the Patch.

Upon motion duly made and seconded, the directors unanimously

VOTED: That the draft minutes of the Annual Meeting of May 30, 2012 be amended to include that a statement the Chairman asked the editor of Patch why an allegation regarding Mr. Klepper was allowed to be published in Patch?

VOTED: That the minutes of the May 30, 2012 Annual Meeting, as amended, be approved.

1. Executive Directors Report (attached) – Executive Director P.

Marchand stated that BCWA is continuing with Union contract negotiations. The goal is to have the contract finalized by the end of June. Bond updates will be given by Legal Counsel Ms. Sandra Mack. The proposal for the Water Rate study has been advertised.

Director Allio asked about the East Bay Pipeline interconnection, stating that East Providence is putting their project on hold. Executive Director P. Marchand stated that this information has been forwarded to the RIWRB and they have agreed to approve funding to go forward with the engineering.

The Chair recognized Mr. Jeff Black who requested that the Board Meeting Agenda be placed on the BCWA's website.

Director Palmieri questioned the update of the Information System RFP. Manager of Customer Service, Mr. Joseph Granata, stated that the discovery interview phase was initiated on June 8, and meetings have taken place with several departmental groups. Next, the RFP will be prepared and distributed. Director Allio asked when this process would be completed. Mr. Granata stated that BCWA would be receiving a draft RFP in 30 days. Director Allio stated that the vendor should give us a firm date for completion. Manager of Accounting and MIS Mr. Mark Champagne reminded the Board the project was delayed because of the audit and the Board's approval for the project. Director Gosselin asked for a timeline of progress with Aurora.

Executive Director P. Marchand stated that after Aurora had spoken to the employees they have a better understanding of the scope that BCWA is looking for. Director Allio stated that there are many water systems using off the shelf software systems. Mr. Granata stated that the Authority wants a system that meets all of its needs.

Director Allio questioned the Executive Director's report on water production. Executive Director P. Marchand stated that production was pretty close to equal for Spring 2011 and Spring 2012.

Director Allio questioned the need for the newspaper articles included in the Board packet. These articles are not discussed during the Board meeting. Executive Director P. Marchand stated that this is information requested by the Board, but doesn't need to be part of the meeting agenda.

The Chair recognized Mr. Gary Morse who asked why the BCWA's Meeting Agenda does not have a comment period. Mr. Morse also questioned why the Board did not take by eminent domain a farm near its reservoir. Mr. Black stated that he had read a 2006 DEM report dealing with the cow pasture and the culverts draining into the reservoir. The directors questioned how lands were identified and prioritized for purchase by eminent domain? Director Klepper asked that this item be placed on next month's agenda.

Director Allio stated that BCWA appears in blogs as an object of criticism and ridicule, and he noted that BCWA should respond to blogs and accusations. Chairman Jannitto stated that the Board has invited the press on numerous occasions to attend Board Meetings to hear the truth, first hand, and had originally invited cable TV to come and tape the meetings, without response.

2. Financial Report, Mr. Mark Champagne

The Board received the March financial information. He noted that in addition to closing out the year for accounting purposes, management is working on the new budget, union negotiations, issuing an RFP to banks for refunding, and providing information and meeting with the rating agencies with the help of the financial advisor and counsel to confirm an independent rating with S&P. BCWA recently learned that it has received an investment grade A rating which will be helpful in borrowing.

Legal Counsel Ms. Sandra Mack – The Authority has received 2 successful responses for refinancing earlier bonds in a direct purchase, and in addition to lowering the interest rates, fees have been negotiated to keep the cost to achieve the refinancing low. Ms. Mack congratulated Mr. Mark Champagne for his work.

3. FY12 Audit – Presentation by Cayer Caccia, LLP

Ms. Donna Caccia and Ms. Gail Wilcox made a presentation to the Board on the audit and financial statements.

Ms. Caccia stated that auditors are hired to issue an opinion on the financial statements. This is done by documenting internal controls, walking transactions through the system and testing them. Also minutes are read and changes from prior years are listed. Director Allio questioned why only 2 years were compared and not 3 or 5 years. Ms. Caccia replied that a 2 year comparison was standard for government statements. She noted that Mr. Champagne writes the MD&A report and it has a three year comparison.

Ms. Caccia explained assets, operating expenses, liabilities, cash flow, OPEB, pipeline asset value. She noted that this year there were no adjustments required that exceeded the materiality level. She noted that the accountants had two comments concerning adherence to the bid and quote system concerning the Bay View Tank inspection and the Consumer Confidence Report mailing to rate payers. She recommended that the purchasing policy be revised, and that BCWA be mindful of OPEB increases. In response to a question concerning internal audits, Ms. Caccia responded that internal audits are extremely expensive, not many entities can afford it. Concerning BCWA's information system, the quality of the reports was very good and she stated that the auditors did not see any deficiencies.

Legal Counsel Ms. Sandra Mack explained that the GASB rules regarding OPEB require disclosure, not funding. She also noted that the law was in a state of flux, and to her knowledge, there was no

dispositive court ruling yet as to whether or not this is a contractual right subject to appropriation, and if a municipality cannot fund it, it may be subject to renegotiation. She noted that some municipalities are setting aside money in a trust for the funding of OPEB. She noted that formation of an OPEB trust was underway with the former Accounting Manager and the OPEB actuary. The next step would be to work with the actuary for a recommendation for a line item in the budget to establish and begin modest funding of a trust. Director Klepper stated that in the past the Board has considered changing benefits to retirees, which would decrease OPEB. Past Board members refuted those changes; the new Board will look again at these changes.

Chairman Jannitto made the following motion, which was duly seconded

MOTION: To have Mr. Robert Bostian moved up on the agenda to give his presentation.

Motion passed unanimously.

4. Pension Information – Presentation – Benefit Management Inc., Mr. Robert Bostian stated he was here to answer questions that the Board might have.

Director DeMelo asked how much money was available for employee

lump sum payments in 5 to 10 years.

Mr. Bostian stated that the lump sum option has been in place for 25 years and during this period, the Board has been diligent in funding the plan. The amount of payouts does not impact the plan because when someone takes a lump sum both the assets and the liability goes out of the fund. Further, when an employee retires, they are being replaced by a younger person with less costs for the company to pay. He opined that the pension plan is well funded and there should not be a worry for future payouts.

Director Allio asked if an 8% assumption on future returns on the pension plan is conservative. Mr. Bostian stated that it was not conservative, but moderately aggressive. Mr. Bostian was asked for an analysis of current salaries with various rates. Report due in September.

5. Financial Presentation – M. Champagne (Continued)

Director Allio questioned the expenses and revenue reported in the monthly report. Mr. Champagne stated that the Board should wait at least one quarter to analyze these numbers, and he noted that the budget will be revamped for better reporting. Executive Director P. Marchand asked that the Board Meetings be placed at the end of the month to allow Mr. Champagne time to get his financial numbers ready for the meeting.

Director Allio questioned the relevance of the Activity Analysis Report. This item will be discussed during the workshop. Director Allio asked that Washington Trust be present at the next meeting for a pension fund report.

6. Peterson/Morse Allegations, Executive Director P. Marchand stated that this item was first addressed at the Annual Meeting in May at which time Mr. Morse and Ms. Peterson made allegations concerning the role of Director Klepper and the purchase of property by BCWA, and that as a result, she was asked to investigate the facts and report back to the board.

Executive Director P. Marchand explained that in 1994 the RIWRB set up a program for water quality protection to purchase watershed property which included properties in the area, but working farms were not part of the program. This was a state program run by RIWRB through DEM. In 1995 RIWRB issued an RFP for appraisal services for several properties in the reservoir watershed. Two appraisals were obtained in 1995, Plat 20, Lots 1 & 2. The appraisal for Lot 1 was \$190,000 and Lot 2 was \$250,000 (with a 15 house development). The appraisal for Lot 2 was reduced to \$232,500. Market Street Land Corporation submitted an offer to purchase Lot 2 in September 29, 1995 for \$400,000, which was signed by Mr. Richard Alegria who owned Market Street Land Corp. Mr. Alegria had served on the Board from 1988 to 1991. January 1996 Mr. Alegria filed a mortgage deed with Fleet Bank on Lot 2 in the amount of \$427,000.

On February 28, 1996, by unanimous vote by the Board, the Board voted to acquire the property by eminent domain for Lot 1 for \$190,000 and Lot 2 for \$232,000.

March 25, 1996 BCWA filed a statement of taking for these properties with the Town Hall, and part of that statement included a certification by the Board secretary (Allan Klepper) that the Authority's vote was unanimous in support of the taking. BCWA continued to work with DEM for condemnation of the properties. In April, BCWA filed with the court to condemn the property for \$422,500 for both properties. Market Street filed a complaint for the appraisal of Lot 2. The court ordered a new assessment for Lot 2, which resulted in a new assessment at \$380,000. October 7, the court awarded Mr. Alegria \$406,000 for the property. BCWA was required to pay \$406,000 and all of the pre-judgment interest dating back to February. Ms. Marchand quoted from a local newspaper comments made in the trial by Judge Hurst that "Mr. Alegria was a true victim of a harsh but necessary law of eminent domain" and the taking by BCWA was a "major detriment to Mr. Alegria".

Director Palmieri asked if BCWA was required to purchase these properties. Executive Director P. Marchand stated that BCWA was not required to purchase the properties, but that DEM provided the financing if BCWA did purchase the property, and Director Klepper noted that the state had circulated a list of properties subject to the state program, and the previous Executive Director chose the

properties to condemn based on that list.

Director Klepper noted that the purchase of land subject to the court case did not result in a windfall to Mr. Alegria, but as the record reflects, Mr. Alegria was able to recoup his expenses. Mr. Klepper further noted that he objected to accusations that he personally did something wrong in this matter. He claimed that during 1995 and 1996 Richard Alegria was awarded contracts by this Board, paving and maintenance, in addition to this particular matter.

Director Klepper reported to the board that he voluntarily went to the Ethics Commission and met with Mr. Mancini, who said the Ethics Commission does not issue advisories on something that happened 17 years ago. Mr. Mancini then asked if Ms. Peterson was a member of the Board, because he had not received any complaints at the Ethics Commission from her. Mr. Klepper noted that he has served honorably in Barrington and Bristol County since 1975.

Mr. Morse stated that the Board should have been more prudent and taken the farm for \$400,000. Executive Director P. Marchand stated, again that working farms could not be taken by eminent domain under this program.

Director Palmieri stated his opinion that this issue came forward because of a lack of trust of the Board and the Authority by the public. He voiced his opinion that the former chairman will carry on

to a newly elected chairman the baggage from the old Board of Directors, and that the Board should move forward with a new chairman.

Director Allio stated that a great deal of time was spent on something that happened 17 years ago. The critical issue for the Authority and the three towns is for the Board to move forward to address the needs of the community.

Mr. Black stated that his only interest in attending Board meetings was in the interest of the rate payers. In Mr. Black's opinion, in the past, the Board and the Union employees were not interested in the pollution report of the Kickemuit Reservoir.

7. RFP for Legal Services, Director Klepper stated that the Board had received a copy of the RFP Legal Services Proposal and he had worked with Barrington Solicitor Mr. Ursillo on the RFP. The following motion was duly made and seconded

MOTION: To move forward with this RFP for Legal Services, as presented.

Director Palmieri noted several changes he wanted made to the RFP, including a scope of work, that the miscellaneous line item should have a dollar figure, and that key agenda items should be current. Experience of candidate should not be based on their knowledge of

DOH and DEM, it should be based on legal case experience. Director Fitta stated that Scope of Work must be added to the RFP, then a cost analysis can be done.

Motion made by Director Klepper failed 7 - 1 – Director Klepper voted Aye, Voting Nay Chairman Jannitto, Directors Allio, Bishop, Gosselin, DeMelo, Palmieri, and Fitta.

Director Palmieri made the following motion

MOTION: The Board should revisit the RFP and add or subtract items in this present RFP proposal, to include the Scope of Work.

Director Fitta seconded the motion. Director Gosselin questioned which items were to be subtracted.

Director Palmieri withdrew his motion, and Director Fitta withdrew his second.

Director Allio made the following motion, which was duly seconded

MOTION: That an ad hoc committee should meet/restudy and consider changes to the RFP and have those changes in place before the next meeting.

Motion passed unanimously.

Mr. Black requested that the RFP be posted on BCWA's website. Director Klepper stated that it was a working document and should not be posted until it is completed and adopted by the Board.

8. Status of Rate Review, Executive Director P. Marchand stated that the RFP for the Rate Study had gone out.

9. Strategic Planning Workshop, Director Allio stated that a full day workshop is scheduled for July 14. This workshop will set priorities for the Authority by creating a formal comprehensive business plan to be in place by September 1 in time for the preparation of the Executive Director's budget.

10. Quarterly Charge-Offs, upon a motion duly made and seconded it was

MOTION: To approve charge-offs in the amount of \$10,199.29, as presented.

Motion passed unanimously.

11. Revision of Purchasing/Bid Limits, Executive Director P. Marchand stated that the auditors suggested updating BCWA's Purchasing Policy, and in doing so, it should be comparable to State Regulations. Items that need to be bid, Construction Contracts over

\$10,000, other contracts exceeding \$5,000 and anything over \$2,500 but less than \$5,000 would require a written proposal. Executive Director P. Marchand stated that in general most companies subscribe to a service that will post bids and BCWA will also post the bid on its website.

Director Fitta asked that Competitive and non-competitive language be the same, “above \$10,000 goes to board for approval”. Director Klepper asked to change language to have the whole board notified, not just officers. Director Gosselin asked that the word ‘adequate’ be changed to ‘as warranted’.

Director Allio made the following motion

MOTION: To approve a new Purchasing Policy, in the format presented by the Executive Director and changed by the suggestions of the Board.

Motion was seconded by Director Palmieri.

Motion passed unanimously.

12. Request Regarding Fire Hydrant at Bristol Fire and Rescue Headquarters, Executive Director P. Marchand stated that she had spoken to the Bristol Fire Chief and he will only use the hydrant in question as a public fire hydrant for firefighting purposes only.

NEXT STEPS

- 1. Full Committee of the Board, Wednesday, July 11, 2012, 5:15 p.m., Warren Office, Boardroom, 450 Child Street.**
- 2. Board of Directors Monthly Meeting, Wednesday, July 25, 2012, 6:00 p.m., Warren Office, Boardroom, 450 Child Street.**

Executive Director P. Marchand recommended that in order to get the financials in a more timely manner, committee meetings will be held the 2nd week of the month and the full Board meeting will be held the 4th week of the month.

The Chairman made the following motion, which was duly seconded

MOTION: To accept the dates for the July meetings.

Motion passed unanimously.

The Chairman made the following motion, which was duly seconded

MOTION: To adjourn the regular meeting.

Motion passed unanimously.

There being no further business, the meeting was adjourned at 9:25 pm.

Kevin Fitta
Secretary

Executive Director's Report for June 26, 2012 Contract Negotiations

The fifth negotiating session with the union is to be held 6/20. There has been some progress with the goal to complete negotiations by the end of the month.

Bonds

We have received at least two (2) very good proposals from private sources for the refinancing of the 1997 and 1998 bond funds. An update will be provided at the meeting.

Mark, Sandy, and I participated on an interview for a bond rating through Standard &

Poor on June 8th. Other than requesting additional financial information, we have not yet received a response.

The \$500,000 new bond from RI Clean Water Finance Agency has hit another delay. The projects (including the Franklin St. main renovation) have to go through an environmental impact evaluation AFTER the State Revolving Fund Project Priority List was approved. This will put us out another two (2) months for the financing. The Franklin St. project will be out to bid the week of June 18th. We are

considering utilizing the line of credit to begin the project, with reimbursement from Clean Water Finance.

Water Rates

The RFP for a rate study was issued on 6/15/12. Submittals are due July 6th, with a final report due September 14th

East Bay Pipeline Interconnection with East Providence

The RIWRB has approved the 50% funding of the engineering services of the interconnection. We were to share the other 50% of the cost with E. Providence. At this time E. Providence has put the project on hold.

Strategic Planning Workshop

The Workshop is planned for Saturday, June 30th to begin at 8:00 am. Board member Robert Allio will be facilitating the session. An agenda will be available for the Board meeting.

Land Acquisition Investigation

We have been investigating the allegations regarding a condemnation of property in 1996. It appears that a lot taken by the Board was challenged in court, as the owner paid considerably more for the property. The court ordered a new appraisal, based on a larger number of lots to be developed, significantly increasing the value. This land purchase was one of the first under the RI Water Quality Protection program and was done with the full involvement of the RIDEM attorney and the RIWRB. I will have a report for the Board at

the meeting.

Water Production

Attached is a chart on Water Production comparing 2011 and 2012, January through April. The attached table indicates that as of the end of May, we are very slightly below usage for this year. Rainfall for May of this year was 4.23" compared to 3.08" for 2011.

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